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NOTES

GOVERNMENT DEPOSITS IN THE NATIONAL BANKS

The plans of Secretary McAdoo for depositing government money among the banks to aid crop-moving have attracted much attention and aroused a great deal of criticism, both favorable and unfavorable. Among other comments has been the insistence that the movement was a discrimination against the New York banks and one of many indications of the administration's deep-seated hostility toward the bankers in the metropolis.

Be that as it may, an examination of the facts regarding government deposits in national banks is of interest. During the last fifteen years a twofold change has been taking place. The first of these is in the total amount of the deposits in all national banks, and the second is in the proportion held in New York City as compared with the rest of the country. The reports made to the comptroller of the currency five times each year by the national banks furnish the best source of information, as comparisons of the amounts deposited in each part of the country are possible.

During the year 1899 the deposits of the government in the national banks ranged from \$70,481,000 on June 30 to \$81,340,000 on April 4. In 1913 the largest amount on deposit was \$84,322,000 on October 21, the last date of call, and the smallest was \$39,360,000 on February 4. Table I gives the largest and smallest amounts in each year from 1909 to 1913 as shown by the statements made to the comptroller. The amounts do not, of course, necessarily indicate the maximum and minimum during each twelve months, as these calls are issued only five times per year.

This fifteen-year period has witnessed two upward movements in the amount of these deposits. The first was during the time when Secretary of the Treasury Leslie M. Shaw endeavored to influence the supply of money and credit through his management of government funds. By transferring money directly from the Treasury to the banks, by depositing government money as an aid to crop-moving, and in other ways he increased the amounts due from the banks to the Treasury. The second marked upward movement began in 1906. It was at the outset to be attributed to the action of Secretary Shaw, but the amounts

were greatly increased by his successor, Mr. Cortelyou, as an aid to the banks in the fall of 1907. After 1908 the United States deposits with the banks fell rapidly to the low mark of \$33,594,000 in 1912. During 1913, the item has been rising, the amount for each date being \$39,360,000 on February 4, \$39,886,000 on April 4, \$43,118,000 on June 4, \$51,486,000 on August 9, and \$84,322,000 on October 21.

It may not be correct to characterize the movement for the entire period as downward but it is true that the amount of United States deposits, with the exception of the quotation for October 21, 1913, is now much less than in 1909. During 1913 there has been a movement upward, apparently due to the deposit of money to aid in the moving of crops.

TABLE I

UNITED STATES DEPOSITS WITH ALL NATIONAL BANKS: HIGH AND LOW AMOUNTS FOR EACH YEAR

YEAR	HIGH		Low	
	Amount	Date	Amount	Date
1899.....	\$ 81,340,000	Apr. 5	\$ 70,481,000	June 30
1900.....	103,781,000	Feb. 13	87,596,000	Sept. 5
1901.....	104,167,000	Dec. 10	88,709,000	Feb. 5
1902.....	138,464,000	Nov. 25	105,940,000	Feb. 25
1903.....	153,276,000	Nov. 17	139,385,000	June 9
1904.....	155,399,000	Jan. 22	100,965,000	Sept. 6
1905.....	97,417,000	Jan. 11	51,600,000	Nov. 9
1906.....	129,193,000	Nov. 12	52,207,000	Jan. 29
1907.....	223,117,000	Dec. 3	140,801,000	Mar. 22
1908.....	221,437,000	Feb. 14	111,802,000	Nov. 27
1909.....	88,039,000	Feb. 5	35,226,000	Sept. 1
1910.....	42,048,000	June 30	34,267,000	Mar. 29
1911.....	37,166,000	June 7	34,413,000	Mar. 7
1912.....	47,876,000	June 14	33,594,000	Nov. 26
1913.....	84,322,000	Oct. 21	39,360,000	Feb. 4

The second change is in the proportion of these deposits held by the New York banks. On February 4, 1899, the banks as a whole held \$81,120,000 of United States deposits; of this sum the banks of New York held \$34,099,000, or 42 per cent. At the date of the last call there was a total of \$84,322,000 of United States deposits, of which the New York banks held \$2,226,000, or less than 3 per cent. The proportion held in New York declined from 42 per cent to 3 per cent, while that held by the other banks of the country increased from 58 per cent to 97 per cent. The relative amounts at the date of each call of the comptroller are shown in Table II.

This table shows a persistent and consistent policy on the part of the Treasury Department. Not only have the amounts on deposit with the banks been declining but the proportion allotted to the banks of New York has undergone a very pronounced change. The

TABLE II

RELATIVE AMOUNTS OF UNITED STATES DEPOSITS HELD BY NEW YORK NATIONAL BANKS AND BY ALL OTHER NATIONAL BANKS OF THE UNITED STATES

YEAR	PERCENTAGE		YEAR	PERCENTAGE		YEAR	PERCENTAGE	
	New York Banks	All Other Banks		New York Banks	All Other Banks		New York Banks	All Other Banks
1899.....	42	58	1904.....	24	76	1909.....	4	96
	42	58		38	62		6	94
	34	66		22	78		5	95
	36	64		22	78		7	93
	36	64		22	78		7	93
1900.....	38	62	1905.....	22	78	1910.....	6	94
	38	62		21	79		6	94
	37	63		18	82		8	92
	37	63		15	85		6	94
	36	64		16	84		6	94
1901.....	36	64	1906.....	15	85	1911.....	6	94
	36	64		18	82		5	95
	35	65		18	82		4	96
	35	65		10	90		4	96
	34	66		11	89		4	96
1902.....	34	66	1907.....	11	89	1912.....	4	96
	34	66		10	90		3	97
	33	67		18	82		3	97
	33	67		19	81		3	97
	30	70		34	66		4	96
1903.....	29	71	1908.....	28	72	1913.....	5	95
	27	73		19	81		7	93
	27	73		7	93		6	94
	27	73		9	91		5	95
	25	75		7	93		3	97

law allows the secretary of the Treasury to use his discretion in the designation of national banks as depositaries, and year after year these officials have gradually been distributing more of the funds in other parts of the country.

Fifteen years ago New York had nearly one-half of the total amount. This rapidly declined, the only marked reaction occurring in 1907, when

relief was given by the government to the New York market. In 1909 the percentage with New York banks fell to 4 per cent of the total, and since then it has ranged from 3 per cent to 8 per cent. New York's share was lowest in 1912, when it was 3 per cent and 4 per cent. This year it has ranged from 3 per cent to 7 per cent, the last report showing 3 per cent.

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BOND INVESTMENTS BY NATIONAL BANKS

The note on "Bond Investments by National Banks" by Mr. John V. Hogan in the November *Journal of Political Economy* directs attention to an important development in American banking practice. The particular exhibits which Mr. Hogan employs to show the rapid increase in the security holdings of the national banks are, however, defective.

Mr. Hogan states that between September 1, 1909, and June 14, 1912, the following changes occurred with respect to the national banks:

1. Aggregate capital stock increased 10.06 per cent.
2. Aggregate individual deposits increased 17.59 per cent.
3. Loans and discounts increased 17.76 per cent.
4. Holdings of securities other than United States bonds increased 41.63 per cent.
5. Holdings of securities other than United States, state, or municipal bonds increased 48.57 per cent.
6. The proportion of state, municipal, and railroad bonds to total security holdings decreased from $65\frac{1}{2}$ per cent in 1909 to $49\frac{1}{2}$ per cent in 1912.
7. The capital stock of all national banks on June 14, 1912, was \$1,046,012,500.
8. The ratio of securities other than United States, state, or municipal bonds to capital stock increased from 64 per cent in 1909 to 87 per cent in 1912.

As a matter of fact, the changes which took place in the period indicated show no such disproportionate increase in security holdings, being as follows:

1. The aggregate capital stock at the two dates was:

September 1, 1909.....	\$ 944,642,067.00
June 14, 1912.....	1,033,570,675.00

showing an increase of 9.41 per cent.